

Revenue Ruling 74-205

Section 61 - Gross Income Defined

26 CFR 1.61-1: Gross income.

Replacement housing payments. Replacement housing payments received by individuals under the Housing and Urban Development Act of 1968 are not includible in gross income. Payments received under that Act, or similar tax-exempt payments received under the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, used to acquire a new residence are includible in its basis.

Advice has been requested concerning the treatment for Federal income tax purposes of "replacement housing payments" received by individuals pursuant to the Housing and Urban Development Act of 1968 (1968 Act) Public Law 90-448, 1968-2 C.B. 734, and the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970 (1970 Act), Public Law 91-646, 1971-1 C.B. 540.

In general, replacement housing payments made under the above Acts are for the purpose of aiding individuals and families displaced from their homes, businesses or farms by Federal or federally assisted programs in acquiring decent, safe and sanitary dwellings of modest standards sufficient in size to accommodate the displaced owners, reasonably accessible to public services and places of employment, and available on the open market. As a condition to receiving the payment, a displaced owner must (a) under the 1968 Act, purchase and occupy a replacement dwelling within one year from the date he is required to move; (b) under the 1970 Act, purchase and occupy a replacement dwelling within one year from the date on which he receives from the Federal agency final payment of all costs of the acquired dwelling, or on the date on which he moves from the acquired dwelling, whichever is later. This payment is in addition to any acquisition payment, and cannot exceed \$5,000 under the 1968 Act and \$15,000 under the 1970 Act.

In House Report No. 1585, Ninetieth Congress, Second Session, page 5, it is noted that the purpose of the 1968 Act is to further implement the national goal of providing "a decent home and a suitable living environment for every American family."